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IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF SAN FRANCISCO

PEOPLE OF THE STATE OF CALIFORNIA ex rel. BILL LOCKYER, ATTORNEY GENERAL OF THE STATE OF CALIFORNIA, Plaintiffs, v. **PG&E CORPORATION; ROBERT GLYNN, JR.; GORDON SMITH; DAVID A. COULTER; MARY S. METZ; C. LEE COX; CARL E. REICHARDT; WILLIAM S. DAVILA; BARRY LAWSON WILLIAMS; DAVID M. LAWRENCE, M.D.; DAVID R. ANDREWS; AND DOES 1-150,** Defendants.	CGC-02-403289 Case No. **COMPLAINT FOR RESTITUTION, CIVIL PENALTIES, INJUNCTION, APPOINTMENT OF RECEIVER, AND OTHER EQUITABLE AND ANCILLARY RELIEF** (Cal. Bus. & Prof. Code § 17200 - Unlawful, Unfair & Fraudulent Business Practices)

The People of the State of California, by and through Bill Lockyer, Attorney General of the State of California, allege on information and belief as follows:

PARTIES

1. Plaintiff Bill Lockyer is the Attorney General of the State of California and is the chief law officer of the State (Cal. Const., art. 5, § 13). He is authorized by California Business and Professions Code section 17204 to prosecute any unlawful, unfair or fraudulent business act or practice which is prohibited by California Business and Professions Code section 17200 in a court of competent jurisdiction. For any such violation, he is also authorized to seek injunctive relief, civil penalties not to exceed two thousand five hundred dollars ($2,500) for each violation, and any orders or judgments, including the appointment of receivers, as may be necessary to prevent the use or employment by any person of any unlawful, unfair or fraudulent business practices which constitute unfair competition.

2. PG&E Corporation is a national energy-based holding company with its headquarters located in San Francisco, California. Pacific Gas & Electric Company ("PG&E") is a wholly owned subsidiary of PG&E Corporation. At all relevant times herein, PG&E Corporation's strategy has been, and continues to be, to become one of the largest unregulated generating companies in the United States.

3. PG&E is an electric and gas public utility that serves approximately 4.5 million electric customers and 3.7 million gas customers in northern and central California. PG&E is currently regulated by the California Public Utilities Commission ("CPUC") and the Federal Energy Regulatory Commission ("FERC").

4. Defendant Robert Glynn, Jr. is the President, Chief Executive Officer, and Chairman of the Board of Directors of both PG&E and PG&E Corporation. He is now and has been a director of PG&E since June 1995. He is now and has been a director of PG&E Corporation since December 1996.

5. Defendant Gordon Smith is the President and Chief Executive Officer of PG&E. He is now and has been a director of PG&E since June 1997.

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6. Defendant David A. Coulter is now and has been a director of PG&E since May 1996. He is now and has been a director of PG&E Corporation since December 1996.

7. Defendant Mary S. Metz is now and has been a director of PG&E since March 1986. She is now and has been a director of PG&E Corporation since December 1996.

8. Defendant C. Lee Cox is now and has been a director of PG&E since February 1996. He is now and has been a director of PG&E Corporation since December 1996.

9. Defendant Carl E. Reichardt is now and has been a director of PG&E since February 1985. He is now and has been a director of PG&E Corporation since December 1996.

10. Defendant William S. Davila is now and has been a director of PG&E since February 1992, and a director of PG&E Corporation since December 1996.

11. Defendant Barry Lawson Williams is now and has been a director of PG&E since September 1990, and has been a director of PG&E Corporation since December 1996.

12. Defendant David M. Lawrence, M.D. is now and has been a director of PG&E since January 1995, and has been a director of PG&E Corporation since December 1996.

13. Defendant David R. Andrews is now and has been a director of PG&E Corporation since August 2000.

14. The true names and capacities of defendants sued in this Complaint under the fictitious names of Does 1 through 150, inclusive, are unknown to plaintiff, who sues such defendants by such fictitious names. Each of the fictitiously named defendants is responsible in some manner for acts, occurrences, or omissions which caused the violations alleged herein.

15. At all relevant times herein, defendants Glynn, Coulter, Metz, Cox, Reichardt, Davila, Williams and Lawrence were directors of both PG&E and PG&E Corporation. At all relevant times herein, defendant Smith was an executive officer and director of PG&E and defendant Andrews was a director of PG&E Corporation. Said defendants are sued in their individual capacities and in their capacities as officers and/or directors of PG&E and PG&E Corporation.

16. The PG&E Corporation Board of Directors has five committees of the Board of Directors. They are the Executive, Audit, Finance, Nominating and Compensation, and Public

Policy Committees. The PG&E Board of Directors has three committees. They are the Executive Committee, Audit Committee and the Capital Contributions Committee. The respective Executive Committees each may exercise, to the full extent permitted by law, all of the powers and perform all of the duties of their full boards.

17. Unless otherwise alleged, whenever reference is made in this Complaint to any act of defendants, such allegation shall mean that each defendant acted individually and jointly with the other defendants named in the Complaint.

18. Unless otherwise alleged, whenever reference is made in this Complaint to any act of any corporate or other business defendant, such allegation shall mean that such corporation or other business did the acts alleged in this Complaint through its officers, directors, employees, agents and/or representatives while they were acting within the actual or ostensible scope of their authority.

19. At all relevant times alleged in this Complaint, each of the defendants has acted as an agent, representative, or employee of each of the other defendants and has acted within the course and scope of said agency or representation.

20. At all relevant times alleged in this Complaint, defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence, Andrews and Does 1-150 conspired, aided and abetted, or acted in concert with each other, in causing PG&E Corporation, to use ratepayer funds and other assets of PG&E to cross-subsidize PG&E Corporation and its other subsidiaries and affiliates and subordinate the interests of PG&E to PG&E Corporation and its other subsidiaries and affiliates, as part of a common plan or design to evade the CPUC's regulatory authority and further its plan to make PG&E Corporation one of the largest unregulated generating companies in the United States. Through their acts alleged herein, said defendants acted with knowledge of such conspiracy, common plan or design, and with the intent of carrying out such conspiracy, common plan or design, to the detriment of ratepayers.

JURISDICTION

21. This Court has jurisdiction to hear the claims alleged in this Complaint and is a court of competent jurisdiction to grant the relief requested.

VENUE

22. The violations of law alleged in this Complaint occurred in the City and County of San Francisco, and defendant PG&E Corporation's principal place of business is located in San Francisco.

23. Defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence and Andrews, as members of the board of directors and agents of PG&E Corporation, by engaging in the alleged in this Complaint, committed acts or caused acts to be done in City and County of San Francisco.

FACTUAL ALLEGATIONS

Deregulation of California's Electric Generation Market

24. Prior to 1996, California utilities were vertically integrated. They were allowed to generate, transmit and distribute electricity to their customers. In September 1996, the California Legislature enacted Assembly Bill 1890 ("AB 1890") in order to restructure the electric industry and bring competition to California's electric generation market by requiring utilities to separate their electric generation operations from their electric power transmission and distribution operations. AB 1890 required PG&E and other California utilities to divest their generation facilities, except for their hydroelectric generation assets.

25. As part of the transition to a competitive electric generation market under AB1890, Public Utilities Code § 367 required the CPUC to determine the market value of all of PG&E's non-nuclear generating assets by December 31, 2001. The purpose for valuing these assets was to calculate the amount of transition costs PG&E would recover. The valuation consisted of comparing the market value of the assets to their book value. Market value could be determined by a sale or other divestiture, or by appraisal. If the market value of the assets exceeded their book value, the difference was to be credited to ratepayers. If the market value of the assets was less than their book value, the difference would be a transition cost which could be collected from PG&E ratepayers.

26. Following the enactment of AB 1890, PG&E divested all of its power plants, with the exception of its Diablo Canyon nuclear plant and its hydroelectric facilities.

27. With the passage of AB 1890, California utilities, including PG&E, projected billions of dollars in "stranded costs." Stranded costs are those costs which the utilities might not be able to recover in the normal course of business in the newly competitive market.

28. AB 1890 was designed, in part, to give the utilities a reasonable opportunity to recover these stranded costs, as well as other costs, including distribution costs, transmission costs, and the cost of power that they would have to purchase, by freezing retail electric rates at the level in effect on June 10, 1996, until the end of the "transition period" on December 31, 2001.

29. During the transition period, because the frozen rates were higher than the utilities' then-current or projected operating costs, California utilities were expected to recover their stranded costs by purchasing power at prices below the rate they, including PG&E, could charge their customers for electric power.

30. During the first years of the transition period, PG&E passed on to PG&E Corporation primarily through stock dividends and stock repurchases, billions of dollars in revenues generated from ratepayers through the high frozen rates, and other provisions of AB 1890. PG&E received $2.9 billion in up-front cash proceeds from rate reduction bonds and over $9 billion in "headroom" and other transition cost revenues. Headroom is the difference between frozen rates and the authorized costs of providing service (i.e. revenue requirements and CPUC-approved costs and obligations).

Affiliates of PG&E Corporation

31. PG&E Corporation also wholly owns PG&E National Energy Group ("NEG"), a Maryland corporation that builds, acquires, and operates independent electric generating facilities in various parts of the country. NEG was formed in 1999 to integrate PG&E Corporation's unregulated business units. NEG develops, constructs, operates, owns, and manages independent power generation facilities that serve wholesale and industrial customers through PG&E Generating Company, LLC ("PG&E Gen.") and its subsidiaries. NEG also owns and operates natural gas pipelines, natural gas storage facilities, and natural gas processing plants, primarily in the Pacific Northwest, through PG&E Gas Transmission Northwest ("PG&E GT"). NEG also

purchases and sells energy commodities and provides risk management services to customers in major North American markets, including the other NEG non-utility businesses, unaffiliated utilities, marketers, municipalities, and large end-use customers through PG&E Energy Trading - Power, L.P. and their affiliates (collectively, "PG&E Energy Trading" or "PG&E ET").

32. Seven members of the Board of Directors of NEG are also executive officers of PG&E Corporation. As early as June 2000, NEG intended to increase PG&E Corporation's national market presence through acquisition and development of energy assets and businesses and projected that its ability to anticipate and capture profitable business opportunities created by restructuring would have a significant impact on PG&E Corporation's future operating results.

33. PG&E Gen participates in the development, construction, operation, ownership and management of non-utility electric generating facilities that compete in the United States power generation market. PG&E Gen owns operating power plants in the eastern United States and and Northwest Pacific.

34. PG&E ET is a FERC-authorized power marketer that is active in all North American Electric Reliability Council regions. PG&E ET buys and resells electric power in the wholesale electric market through its marketing and trading group. PG&E ET transports, schedules, and settles delivery of electric power on its own behalf. PG&E ET also provides risk management services to NEG and its customers. Estimated California power and gas revenues of PG&E ET in 2000 were $677.7 million, or 4.4 percent of its total revenues in the U.S. and Canada. Estimated net income of PG&E ET in 2000 attributable to California was $18.8 million.

35. PG&E GT owns and operates transmission pipelines and associated facilities that extend over 612 miles from the Canada-U.S. border to the Oregon-California border. PG&E GT provides firm and interruptible transportation services to third party shippers on an open-access basis. Its customers are principally retail gas distribution utilities, electric utilities that use natural gas to generate electricity, natural gas marketing companies, natural gas producers, and industrial consumers.

36. Approximately 68 percent of PG&E GT's natural gas volume is delivered to the California border. The amount of PG&E GT revenues and earnings, before income taxes and

PG&E Corporation allocations, attributable to the California energy market is estimated at $152.8 million and $66.9 million, respectively, for the year ending December 31, 2000.

Conditional CPUC Approval of PG&E's Holding Company Formation

37. On October 20, 1995, PG&E filed an application with the CPUC pursuant to Public Utilities Code § 818, for approval to reorganize under a holding company structure ("the Holding Company Proceedings"). PG&E proposed to implement this restructuring through a reverse triangular merger. As a result of the merger, PG&E would become the wholly owned subsidiary of PG&E Corporation. The CPUC conducted the Holding Company Proceedings in two phases ("Phase I" and "Phase II").

38. In determining whether to approve the application, the CPUC applied a "ratepayer indifference" standard. Under this standard, a utility seeking to reorganize under a holding company structure must demonstrate that: (1) a valid business purpose exists; and (2) the reorganization may be accomplished and future operations conducted will be pursuant to conditions that will be adequate to protect the public interest. The CPUC's primary concern is that non-utility activities do not detrimentally affect consumer rates or quality of service. The CPUC also seeks to ensure the financial health of the utility's operations and that changes in the form of organization and ownership do not impair the discharge of the utility's duties.

39. The formation of a holding company structure presents four basic risks for ratepayers:

(a) The risk that financial losses incurred by affiliates will impair the utility's access to capital on reasonable terms;

(b) The risk that the parent company will subordinate the interests of the utility to the interests of other affiliates;

(c) The risk that the parent company will use the holding company to reduce CPUC authority over utility operations and costs; and

(d) The risk that the parent company will use the utility's exclusive service territory franchise and ratepayer funded resources to provide affiliates with an unfair competitive advantage in non-regulated business activities.

40. During the Holding Company Proceedings, PG&E, on behalf of itself and PG&E Corporation, represented to the CPUC that the purpose for seeking the holding company structure was to enable it to respond to what PG&E considered to be a changing business environment in the electric and gas utility industries, including the possible onset of competition within markets that PG&E had historically served as a regulated monopoly. PG&E, on behalf of itself and PG&E Corporation, claimed that the holding company structure would provide a corporate framework for the separate ownership of unregulated businesses and would help to insulate the credit of PG&E from the risks of ownership of such businesses.

41. In order to get the application approved, PG&E, on behalf of itself and PG&E Corporation, provided assurances to the CPUC that the holding company would act as a safety net should the utility experience internal financial distress, in that PG&E Corporation would have the capability to infuse capital into PG&E, and would have the means to provide capital to PG&E should PG&E's internal cash generation be insufficient.

42. PG&E, on behalf of itself and PG&E Corporation, also represented to the CPUC in the Holding Company Proceedings that ratepayers would be protected because it intended to preserve PG&E's financial integrity and access to capital in order to satisfy PG&E's obligation to serve the public. PG&E, on behalf of itself and PG&E Corporation, further represented to the CPUC that to the extent that PG&E's affiliates would compete with it for scarce capital, the "First Priority Condition" would protect ratepayers by requiring the directors of PG&E and PG&E Corporation to place top priority on PG&E's obligation to serve its customers. The First Priority Condition is defined more specifically below, in paragraph 44, subsection (g), below.

43. On November 6, 1996, based on the representations made and evidence presented by PG&E, on behalf of itself and PG&E Corporation, in Phase I of the Holding Company Proceedings, the CPUC issued an Interim Opinion ("Interim Opinion"), in which it conditionally approved PG&E's reorganization into a holding company structure, subject to twenty two conditions ("the Conditions") which the CPUC determined were necessary to protect the public's interest and maintain ratepayer indifference. (Decision No. 96-11-017, 69 CPUC 2d 167, 173 P.U.R. 4^{th} 358).

44. The Conditions imposed by the CPUC in Ordering Paragraphs 2 through 23 of the Interim Opinion, include:

(a) The CPUC would have access to books and records of the holding company and each of its affiliates and their joint ventures;

(b) PG&E, its holding company, and its subsidiaries, and joint ventures of the holding company or its subsidiaries would use accounting and other controls related to cost allocations and transfer pricing to ensure and facilitate full review by the CPUC and to protect against cross-subsidization of non-utility activities by PG&E's customers ("the Cross-Subsidization Condition");

(c) PG&E would submit quarterly and annual financial statements of its parent holding company (including consolidated workpapers of the holding company and its subsidiaries, balance sheets and income statements of the non-consolidated subsidiaries of the holding company);

(d) PG&E would report the sale or transfer of any tangible assets to or from affiliated entities;

(e) PG&E's dividend policy would be established by PG&E's board of directors as though PG&E were a comparable stand-alone utility company ("the Stand-Alone Condition");

(f) PG&E would not guarantee the notes, debentures, debt obligations, or other securities of its parent holding company or any of its subsidiaries without first obtaining CPUC's written consent.

(g) The capital requirements of PG&E, as determined to be necessary and prudent to meet its obligations to serve or to operate the utility in a prudent and efficient manner, would be given "first priority" by the Board of Directors of PG&E's parent holding company and PG&E ("the First Priority Condition"). The First Priority Condition required PG&E Corporation to infuse the utility with all types of capital, including working capital or operating capital, necessary for the utility to fulfill its obligation to serve.

45. As part of the Interim Opinion, the CPUC also reserved the right to impose further conditions pending the outcome of an audit requested by Division of Ratepayer Advocates (the predecessor of the Office of Ratepayer Advocates ["ORA"]). ORA is the division of the CPUC that is responsible for representing the interests of a public utility's ratepayers in CPUC proceedings. The purpose of the audit was to review all significant utility/affiliate transactions from the 1994 reporting period through the date the audit was ordered. The audit was conducted by Overland Consulting for ORA ("the Overland Audit").

46. Pending completion of the Overland Audit and the CPUC's review of the results, the CPUC adopted affiliate transaction rules ("the Affiliate Rules"). (Decision D-97-12-088). These rules govern the relationship between California's energy utilities and their affiliates relating to non-discrimination, disclosure and information, and separation standards. The Affiliate Rules also require that, except as provided for in the rules, new products and services shall be offered through affiliates. The Affiliate Rules imposed conditions on utilities that propose to provide a new product or service without tariff in a competitive or potentially competitive market. Appropriate conditions imposed by the CPUC in approving utility holding company formations, such as those imposed in the Holding Company Proceedings, incorporate Affiliate Rules.

47. In establishing the Affiliate Rules, the CPUC found that it was in the public interest to establish rules which ensure that utility affiliates do not gain unfair advantage over other market players, and to ensure that utility ratepayers are not subsidizing unregulated activities. The fundamental CPUC policies underlying the Affiliate Rules are to provide mechanisms that will ensure ratepayer indifference, and that a utility and its ratepayers will be compensated for any flow of actual resources or benefits to an affiliate of the utility. The CPUC did not intend that the Affiliate Rules preclude any form of civil relief, or rights or defenses thereto, that may be available under state or federal laws designed to promote and protect fair competition, including California Business & Professions Code § 17500 et seq., or to detract from the Attorney General's prosecution of antitrust violations. (77 CPUC2d 422; 184 P.U.R. 4th 503.)

48. For purposes of a combined gas and electric utility, the Affiliate Rules apply to all of the transactions of the utility with its affiliates that are engaged in providing a product that uses

gas or electricity, or providing services that relate to the use of gas or electricity. For purposes of an electricity utility, the Affiliate Rules apply to all of the transactions of the utility with its affiliates that are engaged in providing a product that uses electricity or that provide services that relate to the use of electricity.

49. The Overland Audit was completed in October 1997. It revealed significant examples of subordination of PG&E's interests to the interests of its affiliates during the period 1993 through 1996, through underbilling by PG&E of its affiliates for rotational services of PG&E employees, failing to charge its unregulated affiliates the fair market value of its services and assets, and overcharging its ratepayers for unregulated services provided by its unregulated affiliates. The Overland Audit also concluded that the internal controls of PG&E and its affiliates were totally inadequate to ensure reasonable accountability in PG&E's dealings with its affiliates. For example:

(a) The Overland Audit estimated that PG&E incurred $2,177, 005 in costs to develop the power quality business line it transferred to PG&E Energy Services and to facilitate PG&E Energy Services' entry into the power quality business. This cost estimate did not include the cost of developing the valuable utility information PG&E used to develop the power quality business line. PG&E charged PG&E Energy Services $386,106 for the power quality business line and related services. The remaining $1,790,899 of costs incurred by PG&E were charged to its ratepayer funded utility accounts.

(b) When PG&E transferred its entire power quality business line to PG&E Energy Services it failed to charge PG&E Energy Services the fair market value. The Overland Audit concluded that the power quality business line within PG&E's service territory was an integral part of PG&E's ratepayer funded distribution system so that if PG&E retained the power quality business line, the profits generated by the power quality business line could have been used to reduce utility rates or increase shareholder profits and, therefore, PG&E would not have transferred its power quality business line to an unaffiliated entity at cost.

50. During Phase II of the Holding Company Proceedings, the CPUC did not adopt many of the additional conditions proposed by ORA in light of the Overland Audit because it believed that the Affiliate Rules, PG&E's reorganization into a holding company structure, and the Conditions would resolve most of the problems found in the Overland Audit. However, the CPUC did adopt further conditions relating to PG&E's internal controls. The CPUC also ordered another audit to verify compliance with the conditions.

51. The CPUC further conditionally approved PG&E's holding company structure based on an agreement by the boards of directors of PG&E and PG&E Corporation to comply with the Conditions. The boards of directors of PG&E and PG&E Corporation passed resolutions ("the Resolutions") agreeing to the Conditions and filed them with the CPUC. At all relevant times herein, defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence and Andrews had knowledge of the Conditions, and as directors of PG&E and PG&E Corporation voted to approve the Resolutions.

52. Prior to the formation of the holding company structure, PG&E's investments in non-utility businesses were held through PG&E Enterprises, which was a wholly owned subsidiary of PG&E. PG&E Enterprises' major business units and lines of business were PG&E Generating Company, PG&E Properties, Inc. (which was being liquidated at the time of the Holding Company Proceedings), PG&E Energy Services, PG&E Overseas, Inc., PG&E Generating International and DALEN Corporation (which was subsequently sold).

53. With the formation of the holding company structure on January 1, 1997, PG&E transferred its investments in PG&E Enterprises to PG&E Corporation. PG&E Corporation formed five business lines with it as the holding company. These businesses lines were: PG&E (the public utility); U.S. Generating Company (electric generation); PG&E Energy Services (energy services); PG&E Trading (energy trading); and PG&E Gas Transmission (gas transmission). Numerous other entities remained subsidiaries of PG&E.

54. After formation of the holding company structure, PG&E Corporation became the parent of PG&E and PG&E's subsidiaries. At all relevant times herein, PG&E Corporation exercised control over PG&E and each of PG&E's subsidiaries.

Integration Between PG&E and PG&E Corporation

55. On or about January 21, 1998, the Board of Directors of PG&E adopted a resolution creating a new committee of the board of directors, the Capital Distributions Committee, which was authorized to declare regular quarterly dividends on PG&E common and preferred stock and repurchase common stock from PG&E Corporation and, within the parameters authorized by the full PG&E Board of Directors, to determine the appropriate amount, pricing and timing of such actions. The common stock repurchases were to be funded with PG&E cash. At all relevant times herein, the only members of the Capital Distributions Committee were, and continue to be, defendants Glynn, and Smith.

56. Unless otherwise alleged, at all relevant times alleged herein, dividends declared on PG&E common and preferred stock and repurchases of common stock from PG&E Corporation were authorized by resolutions of the board of directors of PG&E Corporation.

Transfer of Cash Flows from PG&E to PG&E Corporation

57. After the holding company structure was approved by the CPUC, cash flowed in only one direction: from PG&E to PG&E Corporation and then to PG&E Corporation's unregulated affiliates.

58. From 1997 through 1999, PG&E provided a total of $4 billion in cash to PG&E Corporation, in the form of $1.5 billion in stock dividends and $2.5 billion through repurchases of PG&E common stock held by PG&E Corporation, representing 60 percent of the cash inflows to PG&E Corporation over this period. From 1997 to 1999, PG&E Corporation invested a total of $0.8 billion in its other subsidiaries, spent $2.7 billion to buy back its stock from the public, and paid $1.5 billion to pay dividends to is shareholders. These transactions are set forth in greater detail, by year, in paragraphs 59 through 61 below.

59. In 1997, PG&E generated $5 billion in cash, of which $699 million was transferred to PG&E Corporation in the form of dividends paid. In 1997, PG&E Corporation invested $150 million in its subsidiaries, used $804 million to repurchase its common stock and paid $524 million in dividends to shareholders.

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60. In 1998, PG&E generated $3.8 billion in cash, of which $2 billion was transferred to PG&E Corporation in the form of $1.6 billion in PG&E common stock repurchases and $416 million in paid dividends. In 1998, PG&E Corporation invested $616 million in its subsidiaries, used $1.1 billion to repurchase its common stock and paid $470 million in dividends to shareholders.

61. In 1999, PG&E generated $3.4 billion in cash, of which $1.3 billion was transferred to PG&E Corporation in the form of $926 million for PG&E common stock repurchases and $415 million in paid dividends. In 1999, PG&E Corporation invested $72 million in its subsidiaries, used $693 million to repurchase its common stock and paid $465 million in dividends paid.

62. In the summer of 2000, PG&E accumulated large amounts of debt due to dramatic increases in wholesale energy prices. The higher energy prices resulted in PG&E's operating costs exceeding its revenues. As a result, PG&E, and other California utilities, applied to the CPUC for emergency rate increases, claiming that their financial condition threatened to impair, or had impaired, its ability to serve and operate.

63. As early as August 2000, PG&E Corporation had already retained bankruptcy counsel.

64. Despite the operating loss, PG&E, which in the first nine months of 2000 generated $1.8 billion in cash, transferred $632 million to PG&E Corporation in the form of $275 million paid for PG&E common stock repurchases and paid $357 million in dividends. During 2000, NEG received $349 million in net capital contributions from PG&E Corporation, of which $204 million was received in the fourth quarter.

65. Notwithstanding the Conditions, after wholesale energy prices started rising in the summer of 2000, while PG&E was increasingly strident in its claims to the CPUC regarding its financial distress, imminent bankruptcy, and the consequent threat of its ability to fully meet its obligation to serve, and while PG&E Corporation had cash reserves of approximately $307 million as of December 29, 2000, at no time did PG&E Corporation provide, nor did defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence, Andrews or Does 1-

150 cause PG&E Corporation to provide, an infusion of capital to PG&E, in violation of the First Priority Condition and the Cross-Subsidization Condition.

66. By causing PG&E to pay dividends to PG&E Corporation during the third and fourth quarters of 2000, after PG&E was in a precarious financial condition, defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence, Andrews, Does 1-150, and PG&E Corporation violated the Stand Alone Condition.

Taxes

67. PG&E Corporation calculates taxes for PG&E on a stand-alone basis. PG&E pays the calculated amount to PG&E Corporation. PG&E Corporation then prepares a single consolidated tax return for all PG&E corporate entities. From 1997 to 1999, PG&E Corporation's actual taxes due on a consolidated basis was less than the amount PG&E paid to PG&E Corporation. PG&E Corporation used the difference for its activities unrelated to PG&E.

68. In 1997, PG&E paid $40 million more than its share of the income taxes. In 1998, PG&E paid $345 million more than its share of the income taxes. In 1999 alone, PG&E paid to PG&E Corporation $278 million more in cash as its share of income taxes than was actually paid by PG&E Corporation in taxes in 1999 and PG&E Corporation used the difference to subsidize its own activities, in violation of the Cross-Subsidization Condition.

Valuation of Hydro Electric Assets

69. Section 851 of the Public Utilities Code requires every public utility, such as PG&E, to secure authorization from the CPUC prior to disposing of any property "necessary or useful in the performance of its duties to the public." Ratepayers are entitled to a portion of any gain on the disposition of any such property. The authority conferred on the CPUC in Section 851 is fundamental to utility regulation because it ensures that the CPUC maintains the powers and functions necessary to protect the public interest.

70. PG&E is one of the largest producers of hydroelectric power in California. PG&E's network of hydroelectric generation assets is the largest privately-owned hydroelectric system in the nation. Since 1999, PG&E has aggressively pursued transferring its hydroelectric assets to a non-regulated affiliate.

71. PG&E made a proposal to the State Legislature in 1999 for approval of the transfer. The proposal was rejected.

72. After its defeat before the State Legislature, PG&E applied to the CPUC on September 30, 1999 for permission to sell its hydroelectric assets through an auction (Application No. 99-09-053). The application was made pursuant to the provisions of California law that require the CPUC to establish the market value of PG&E's hydroelectric facilities by December 31, 2001.

73. In its application to the CPUC, PG&E proposed an auction to establish the market value of its hydroelectric generating assets and to sell these assets to the highest successful bidder. PG&E proposed that its non-utility affiliate, NEG, be allowed to bid on assets under the same terms and conditions as any other prospective owner. In reviewing the application, the CPUC considers how the project could potentially benefit or harm the public, including its potential affect on utility ratepayers, and makes a decision whether divestiture would be in the public interest.

74. On August 9, 2000, PG&E, together with other parties involved in the application proceedings, filed an application with the CPUC for approval of their settlement agreement which determined the market value of PG&E's hydroelectric generating assets in lieu of the auction process PG&E initially proposed.

75. The settlement included the following provisions:

(a) a revenue-sharing mechanism that returned 90 percent of all profits from the hydroelectric operations to PG&E's ratepayers; and

(b) established a market value of $2.8 billion for the hydroelectric system that could be used immediately to pay down ratepayer cost obligations.

76. PG&E withdrew its support for the settlement agreement on November 20, 2000 because it believed that the settlement value of $2.8 billion vastly underestimated the market value of the assets based on the market conditions at that time and, therefore, the value was far in excess of $2.8 billion. PG&E recently evaluated these same assets at approximately $4.1 billion

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in proceedings before the CPUC to determine whether the rate freeze imposed under AB 1890 had ended.

77. Although PG&E withdrew from the settlement agreement, its application to sell its hydroelectric assets remains pending with the CPUC. However, on January 18, 2001, AB 6X was enacted. This bill prohibits any California utility from disposing of its generation assets prior to January 1, 2006, and requires the CPUC to ensure that public utility assets remain dedicated to service for the benefit of the public. The restrictions of AB 6X apply to PG&E's hydroelectric assets.

Ring Fencing Activities

78. On or about January 10, 2001, the Board of Directors of PG&E Corporation authorized, approved, and consented to, the implementation of a "bankruptcy remote" structure through a "ring- fencing" transaction that insulated NEG and its subsidiaries from the possible bankruptcy or credit downgrade of PG&E Corporation or PG&E. PG&E Corporation had retained bankruptcy counsel four months earlier.

79. PG&E Corporation used the ring-fencing transaction to subordinate the interests of PG&E to its own interests and the interests of its other subsidiaries and affiliates by creating a new special purpose entity ("SPE"), "NEG Holdings, LLC, and transferred 100 percent of the issued and outstanding shares of NEG, which it owned, to NEG Holdings, LLC. The transaction also entailed the appointment of an independent director with no ties to PG&E Corporation or any of its subsidiaries who would be required to approve any distributions or dividends from the SPE, as well as approve the filing of any voluntary petition in bankruptcy. Also no dividends or loans could be paid unless certain financial tests were met.

80. Notwithstanding the Conditions, in order to implement the ring-fencing transaction, PG&E Corporation adopted a condition that restricted NEG's ability to provide any funds to any person or entity that controlled it, including PG&E Corporation or PG&E, through dividends, capital distributions, or similar payment. As a result of the NEG ring-fencing transaction, the assets of NEG and its subsidiaries were no longer available to assist PG&E, and PG&E Corporation's available cash to directly assist PG&E was decreased, thereby impairing PG&E

Corporation's ability to comply with the First Priority Condition and resulting in the subordination of the PG&E's interests to the interests of PG&E Corporation and its other subsidiaries and affiliates.

81. Prior to NEG ring-fencing transaction, PG&E Corporation used ring-fencing transactions which included the creation of similar bankruptcy remote entities to protect its interests in PG&E Energy Trading and PG&E Gas Transmission. These transactions included similar restrictions on the payment of funds similar to those in the NEG ring-fencing transaction.

82. Through ring-fencing transactions, PG&E Corporation subordinated the interests of PG&E to the interests of PG&Corporation and its other subsidiaries and affiliates by protecting itself and its other subsidiaries and affiliates, other than PG&E, from the risks of bankruptcy, and impaired its ability to provide cash to directly assist PG&E, in violation of the First Priority Condition.

83. In a ring-fencing transaction, separate ratings of the credit quality of a parent and its subsidiary are desired because Standard & Poor's ("S&P") rates a particular subsidiary by assessing the credit quality of the consolidated entity of which the subsidiary is a part. In assessing a particular subsidiary, S&P's general position is that the rating of an otherwise financially healthy, wholly owned subsidiary is constrained by the rating of the weaker parent because a weak parent has both the ability and the incentive to siphon assets out of its financially healthy subsidiary and to burden it with liabilities during times of financial distress or the economic incentive to filing the subsidiary into bankruptcy if the parent itself were forced into bankruptcy. Ring-fencing transactions refer to structured finance techniques and methods by which the credit quality of a subsidiary might be rated higher than the credit quality of the consolidated entity.

84. S&P has developed criteria relating to ring-fencing transactions. This criteria includes the creation of a special purpose entity ("SPE") and the requirements necessary for the SPE to be considered bankruptcy remote. These criteria are: (1) the objects and powers of the SPE must be restricted as closely as possible to the bare activities necessary to effect the structured transaction and not unrelated to the securitized assets and the issuance of the rated

securities; (2) the SPE should be limited from issuing other debt except in circumstances that are consistent with the rated issuance; (3) an independent director should be appointed to the SPE, whose consent is required to seek bankruptcy for the SPE or to amend the organizational documents for the SPE; (4) the bankruptcy remote status of the SPE cannot be undermined by any merger or consolidation with a non-SPE or any reorganization, dissolution, liquidation or asset sale; and (5) the SPE must hold itself out as an independent entity.

85. By creating a separate entity following the S&P criteria which are designed to further separate a subsidiary from its parent and affiliates, the "ring fenced" subsidiary is able to obtain or retain credit ratings for itself separate from its parent and its affiliates that are not inside the "ring-fence."

86. PG&E Corporation initiated the NEG ring-fencing transaction because it had provided almost all of the credit support necessary for NEG's energy trading business through parent guarantees. PG&E Corporation's bankruptcy or credit downgrade would have triggered termination rights under most of NEG's trading agreements with its counterparties, unless NEG was bankruptcy remote and thereby insulated from a downgrade of the corporation. In addition, PG&E Corporation had entered into capital infusion agreements with respect to several NEG power plants that were under construction. Any bankruptcy by PG&E Corporation or a downgrade of its credit rating would have constituted an event of default under such capital infusion agreements.

87. Despite their knowledge and agreement, and in furtherance of their common plan or design, defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence, Andrews, and Does 1-150, authorized, approved, and consented to the terms for PG&E to implement the ring-fencing transactions, in violation of the First Priority Condition.

88. Through ring-fencing transactions, and in furtherance of their common plan or design, defendants Glynn, Smith, Coulter, Metz, Cox, Reichardt, Davila, Williams, Lawrence, Andrews and Does 1-150, ensured that PG&E Corporation would not have to return the ratepayer generated funds that it appropriated from PG&E to subsidize its interests and that of its other subsidiaries and affiliates.

89. On January 16, 2001, S&P reduced the long-term corporate credit ratings of PG&E Corporation and PG&E from BBB- to CC. On January 17, 2001 Moody's Investor Service ("Moody's) reduced PG&E's senior unsecured debt rating from Baa3 to Caa3 and reduced its short term rating for commercial paper and extendible commercial notes from Prime -3 to "Not Prime." Moody's also reduced PG&E Corporation's issuer rating from Baa3 to Caa3 and its short term commercial paper rating from Prime -3 to "Not Prime." These downgrade in ratings, resulted in below minimum investment grade ratings for PG&E Corporation and PG&E.

90. The downgrade of PG&E Corporation's ratings below investment grade constituted an event of default under PG&E Corporation's $436 million short-term and $500 million long-term revolving credit facilities, entitling the lenders to accelerate approximately $434 million of debt outstanding under the $500 million facility. As of January 17, 2001, approximately $43 million out of $501 million of PG&E Corporation's commercial paper outstanding came due and PG&E Corporation failed to pay the maturing debt.

91. At the time of the downgrade of its ratings, PG&E Corporation was the guarantor of obligations of its energy trading subsidiaries, PG&E Energy Trading Power, L.P., PG&E Energy Trading-Gas Corporation and PG&E Energy Trading-Canada Corporation, in an aggregate amount of $1.9 billion. As a result of the downgrade of PG&E Corporation's long term debt below investment grade, counterparties to many of the underlying trading agreements were entitled to demand substitute credit support from the energy trading subsidiaries, and if the support was not provided, declare a default, terminate the agreement, and make a claim under the parent guarantee. If claims were made under a substantial portion of the outstanding guarantees, PG&E Corporation would not have been able to timely honor the guarantees. Thus, PG&E Corporation began efforts to replace these guarantees with guarantees from an alternate investment-grade subsidiary of PG&E National Energy Group, Inc. in order to prevent the counterparties from making claims against the guarantees.

92. The downgrade of PG&E Corporation's long-term debt below investment grade by S&P and Moody's, and the failure by PG&E Corporation to provide an acceptable letter of credit in the required amounts within the required time periods, would have also triggered PG&E's

infusion obligations under various capital infusion agreements in an aggregate amount of $1 billion. If PG&E Corporation was unable to make such capital infusions, it would have been in default under the agreements.

PG&E Corporation's Refinancing of Its Debt Obligations

93. On March 2, 2001, PG&E Corporation refinanced its debt obligations with $1 billion in proceeds from two term loans under a common credit agreement with General Electric Capital Corporation and Lehman Commercial Paper Inc. ("Credit Agreement"). Notwithstanding its assurances to the CPUC and its agreement to abide by the First Priority Condition, PG&E Corporation agreed to the terms under the Credit Agreement which included a provision that prohibited PG&E Corporation from taking certain actions, including a restriction against declaring or paying any dividends for as long as the loans are outstanding.

94. PG&E Corporation's agreement to the terms of the Credit Agreement was authorized, approved and consent to by its board of directors.

95. On June 15, 2001, NEG entered into a letter of credit facility with Chase Manhattan Bank in the amount of $550 million ("Letter of Credit"). Notwithstanding PG&E Corporation's control over NEG and its agreement to abide by the First Priority Condition, NEG agreed to the terms under the credit agreement which included a provision that restricted transactions between PG&E Corporation and NEG, including a prohibition against any commingling of NEG assets with PG&E Corporation or PG&E and restrictions on declaring or paying any dividends.

96. By agreeing to the terms of the Credit Agreement and Letter of Credit, PG&E Corporation impaired its ability to assist PG&E, in violation of the First Priority Condition.

CPUC Investigation

97. On April 3, 2001, the CPUC initiated investigative proceedings regarding transactions between the three major California investor-owned utilities and their respective holding companies and affiliates, including PG&E and PG&E Corporation. The purpose of the investigation is to determine: (1) whether these entities engaged in conduct, including but not limited to the holding companies' failure to infuse capital into their respective utilities and ring fencing transactions, that violated relevant statutes and CPUC decisions that allowed them to

establish holding company structures; and (2) whether additional rules, conditions, or other changes are needed to protect ratepayers and the public from dangers of abuse of the holding company structure. (I.01-04-002).

98. PG&E Corporation, and the holding companies of the other two California utilities, filed motions, asserting that the CPUC never had jurisdiction to impose conditions upon them, including the Conditions in the Holding Company Proceedings because they are not utilities, and therefore the CPUC also lacked jurisdiction to enforce such conditions or to investigate whether changes to the conditions are warranted to protect the public interest.

Bankruptcy Reorganization Plan

99. On April 6, 2001, three days after the CPUC initiated its investigation proceedings regarding PG&E and PG&E Corporation, PG&E filed bankruptcy pursuant to Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Northern District of California, Case No. 01-30928-DM ("the Bankruptcy Proceeding").

100. On September 20, 2001, PG&E filed a Proposed Plan of Reorganization ("the Plan"). PG&E Corporation is a co-proponent of the Plan. Under the terms of the Plan, PG&E would create three new California limited liability companies (referred to in the Plan as "ETrans," "GTrans," and "Gen") and separate its operations into four lines of business: (1) retail gas and electric distribution; (2) electric transmission; (3) interstate gas transmission; and (4) electric generation. The majority of the assets and liabilities associated with PG&E's electric transmission business would be transferred to "ETrans" or its subsidiaries and affiliates, the majority of the assets and liabilities associated with PG&E's gas transmission business would be transferred to "GTrans" or its subsidiaries and affiliates, and the majority of the assets and liabilities associated with PG&E's generation business (including the hydroelectric assets) would be transferred to "Gen" or its subsidiaries and affiliates.

101. The Plan provides that PG&E would create a separate holding corporation (referred to as "Newco") to hold the membership interests of ETrans, GTrans, and Gen and that PG&E would be the sole shareholder of Newco. After the transfer of PG&E's assets to the

newly-formed entities or their subsidiaries or affiliates, PG&E would distribute the outstanding common stock of Newco to PG&E Corporation, and ETrans, GTrans and Gen would all become indirect wholly owned subsidiaries of PG&E Corporation.

102. If the Plan is approved by the bankruptcy court and becomes effective, PG&E Corporation would distribute the common stock of PG&E (referred to as "the Reorganized Debtor" in the Plan) that it holds to the holders of PG&E Corporation common stock on a pro rata basis. PG&E would thereafter operate as a stand-alone electric and gas distribution business, would continue to own the majority of PG&E's assets, and would continue to provide electric and gas distribution services to customers.

103. PG&E Corporation is not the debtor-in-possession, nor has it made any of its assets or the assets of any of its other affiliates subject to the jurisdiction of the bankruptcy court, or otherwise available for payment to creditors. PG&E Corporation, and its board of directors, through their control over PG&E, is attempting to impermissibly use the power of the bankruptcy court to circumvent CPUC jurisdiction for the transfer of assets which require approval by the CPUC, and to deregulate certain aspects of its operations and activities from the CPUC's oversight.

104. PG&E Corporation, through the Bankruptcy Proceeding under the Plan, seeks:

(a) To restructure PG&E's operations, including the transfer of PG&E's electric transmission, gas transmission, and generation lines of business to newly created limited liability companies under the control of PG&E Corporation, without the required CPUC approval;

(b) To deregulate certain operations and activities currently conducted by PG&E from the CPUC's jurisdiction;

(c) To transfer PG&E's hydroelectric generation assets to an unregulated affiliate under the control of PG&E Corporation for $2.1 billion, an amount far below the fair market value previously estimated by PG&E, without any revenue sharing mechanism which would entitle ratepayers to any credit for any profits, and which

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would be in violation of the Legislature's mandate that such assets be retained by PG&E until 2006;

(d) To burden PG&E with the many of the liabilities with which it entered bankruptcy.

(e) To change the ownership structure of PG&E without the CPUC's approval;

(f) To evade compliance with the CPUC's Affiliate Rules applicable to the restructuring transactions proposed in the Plan.

(g) To prohibit the CPUC and the State of California from taking any action related to the allocation or other treatment of any "gain on sale" related to assets transferred or disposed of under the Plan that would adversely impact PG&E or its ratepayers.

(h) To prohibit PG&E from reassuming the net open positions of its electric customers unless a certain number of conditions are met, including a recovery mechanism under which PG&E would be able to fully recover its wholesale costs of purchasing electricity to satisfy the net open position.

105. PG&E Corporation's use of the Bankruptcy Proceeding to approve restructuring transactions and transfer of assets among its unregulated affiliates is unfair because such actions deprive ratepayers of the benefits of any gain on the transfer or sale of PG&E's assets and the protections which are to be afforded to them under California law through the CPUC's existing regulatory authority over PG&E.

106. In furtherance of its intent to remove certain operations and activities from the CPUC's jurisdiction, on November 30, 2001, PG&E Corporation caused PG&E to file applications with FERC for approval to restructure its operations.

PG&E Corporation Seeks Benefits Only Available to the Debtor

107. Although PG&E Corporation is not the debtor-in-possession in the Bankruptcy Proceeding, through its officers and directors, it is manipulating its control over PG&E and the powers of the bankruptcy court to benefit itself and its other affiliates, including an attempt to obtain a full waiver and release by PG&E and its successors in interest and assignees from any

claims or causes of action that are being, or could have been, asserted against PG&E Corporation, or its officers, directors, employees and agents, including but not limited to, any claims or causes of action related to any alleged fraudulent conveyances or transfers, preferences or other causes of action under the Bankruptcy Code or analogous state statutes.

CAUSE OF ACTION ALLEGED AGAINST ALL DEFENDANTS

Violation of the Unfair Competition Act

(Business & Professions Code § 17200)

108. Plaintiff realleges and incorporates by reference paragraphs 1 through 107 inclusive as if fully set forth herein.

109. Section 17200 of the Business & Professions Code prohibits unfair competition, which includes any unlawful, unfair or fraudulent business act or practice.

110. The Conditions and the Affiliate Rules constitute law which is binding upon PG&E and PG&E Corporation.

111. Defendants, and each of them, have engaged in and are still engaged in unlawful, unfair and fraudulent business acts or practices, which include, but are not limited to, the following:

(a) For the sole purpose of obtaining approval for the holding company structure, PG&E, on behalf of itself and PG&E Corporation, represented to the CPUC under oath that the First Priority Condition meant that PG&E Corporation would infuse money into the PG&E, if needed, in furtherance of PG&E's duty to serve the public, and PG&E Corporation, and its board of directors, purposely agreed to the Conditions, but neither the PG&E Board of Directors nor PG&E management ever intended to abide by the Conditions or their representations from the time they were made;

(b) Through its board of directors, PG&E Corporation is using its ownership and control over PG&E to subordinate the interests of PG&E and PG&E's ratepayers to the interests of PG&E Corporation and its other affiliates, by using ratepayer generated PG&E funds to: (i) subsidize its own operations and those of its other affiliates; and (ii) accomplish its overall objective of evading CPUC's regulatory authority over its utility operations;

(c) PG&E, on behalf of itself and PG&E Corporation, deliberately failed to disclose its true intentions to the CPUC during the Holding Company Proceedings, thereby misleading the CPUC into approving the holding company structure;

(d) In furtherance of this intent, and despite having agreed to the Conditions, PG&E Corporation, subordinated the interests of PG&E and PG&E's ratepayers to the interests of PG&E Corporation and its affiliates, other than PG&E, by transferring ratepayer-funded assets, including revenues, from PG&E to PG&E Corporation, for the benefit of PG&E Corporation and its affiliates, other than PG&E, even when PG&E began to experience financial distress, and did so with no intent to infuse capital into PG&E when it needed capital to operate, in violation of the First Priority, Cross-Subsidization and Stand-Alone Conditions;

(e) PG&E Corporation failed to infuse capital into PG&E, as required by the First Priority Condition, when it began experiencing financial distress even though during the period between 1997 through 1999, it appropriated over $4 billion from revenues that PG&E received from high frozen rates paid by ratepayers and it had excess cash reserves available;

(f) PG&E Corporation further subordinated the interests of PG&E and PG&E's ratepayers to the interests of its other affiliates by implementing ring-fencing transactions to protect the assets of those other affiliates from bankruptcy or credit downgrading, and to ensure that it would be impossible for PG&E to access such assets and to impair PG&E Corporation's ability to provide cash to PG&E, in violation of the First Priority;

(g) PG&E, on behalf of itself and PG&E Corporation, gave assurances to the CPUC that it understood that the First Priority Condition required it to provide cash to PG&E if it needed it when it sought approval for the holding company structure, and the boards of directors of both PG&E and PG&E Corporation approved and consented to the Conditions, in an attempt to further its objective of becoming the largest unregulated companies. PG&E Corporation now asserts that the CPUC has no jurisdiction to enforce any of the Conditions against it and attempts to rely upon an interpretation of the First Priority Condition which contradicts the assurances given to the CPUC by PG&E on behalf of itself and PG&E Corporation.

112. As a direct consequence of the acts of the defendants, and each of them, ratepayers have been, and will continue to be, deprived of the benefits and protections which the CPUC imposed for their benefit, including but not limited to, the prohibition against the use of ratepayer funds to cross-subsidize the operations and activities of PG&E Corporation and its subsidiaries and affiliates other than PG&E, and rate regulation.

113. Through the Bankruptcy Proceedings, Defendants, and each of them, are continuing to engage in unlawful, unfair and fraudulent business practices, by using PG&E Corporation's control over PG&E to further its overall objective of becoming one of the largest unregulated generating companies in the United States by insulating itself and most of the assets and operations of PG&E from the CPUC's jurisdiction through the improper use of the power of the bankruptcy court to:

(a) Approve the transfer of PG&E's transmission lines and power plants to wholly owned subsidiaries of PG&E Corporation or its affiliates at below market prices without the otherwise required approval by the CPUC;

(b) Approve the transfer of PG&E's hydroelectric assets at below fair market value without CPUC approval or any revenue sharing agreement to benefit ratepayers, and in violation of the Legislature's mandate in AB 6X;

(c) Approve the shifting of CPUC's regulatory authority over certain PG&E operations and activities from the CPUC to FERC in a manner that would result in regulation of PG&E's operation in a manner different than other similarly situated California utilities engaged in similar operations and activities.

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(d) Approve a release for PG&E Corporation and its officers and directors from any claims for fraudulent conveyances/transfers under the Bankruptcy Code or any analogous state statutes.

114. As a direct consequence of the acts of the defendants, and each of them, ratepayers will be further deprived of the benefits and protections which the CPUC imposed for their benefit, including but not limited to, the prohibition against the use of ratepayer funds to cross-subsidize the operations and activities of PG&E's affiliates, and a share of the gain on any transfer, sale or disposition of PG&E's assets.

115. Defendants' continuing wrongful conduct as alleged above, unless and until restrained by an order of this Court, will further cause great and irreparable harm to ratepayers.

116. WHEREFORE, plaintiff prays for judgment against defendants, and each of them as follows:

1. For an order requiring defendants, and each of them, to show cause, if any they have, why they should not be enjoined during the pendency of this action;

2. For a preliminary and permanent injunction, as authorized by Business & Professions Code § 17203, enjoining defendants, and each of them, their successors, agents, representatives, employees and all persons acting in concert with them, from engaging in unfair competition as defined in Business & Professions Code § 17200, including, but not limited to the types of acts or practices alleged herein;

3. For an order appointing a receiver;

4. For an order directing defendants to pay restitution in an amount according to proof;

5. For an order assessing civil penalties in the amount of Two Thousand Five Hundred Dollars ($2,500) against each defendant for each violation of Business & Professions Code § 17200, as authorized by Business & Professions Code § 17206, and that the Court assess a total penalty of not less than Five Hundred Million Dollars ($500,000,000);

6. For costs of suit incurred herein;

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7. For such other and further relief as the nature of the case may require and the court deems appropriate and just.

Dated: January 10, 2002.

BILL LOCKYER
Attorney General

RICHARD FRANK
Chief Assistant Attorney General

MORRIS BEATUS
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